

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7241

BILL NUMBER: HB 1315

DATE PREPARED: Feb 28, 2002

BILL AMENDED: Feb 27, 2002

SUBJECT: Local Bond Banks.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill authorizes charter schools to obtain financing through a local public improvement bond bank, for schools located in Marion County. It authorizes charter schools, other than schools located inside Marion County, and certain volunteer fire departments to obtain financing through the State Bond Bank. The bill sets forth a formula for determining the share of the state distribution received by a charter school and establishes a schedule for state and local distributions to charter schools. It allows charter schools to receive advances from the Common School Fund.

Effective Date: (Amended) Upon Passage.

Explanation of State Expenditures: (Revised) The bill allows charter schools to receive an advance from the state Common School Fund. The advance could not exceed ten years, and the charter school would be charged 1% interest. Currently, there are four charter schools that are scheduled to open next fall. Two or three additional charter schools may be approved.

The impact on the state is the loss of interest. If the money is loaned to other public schools or invested by the state, it would earn a higher interest rate. If advances amount to about \$7 M and the state could have earned 5%, then the loss in interest revenue would be about \$280,000 annually.

The bill's provision establishing the formula for determining the state share of state distribution and schedule to charter schools would have no state fiscal impact. The new funds would be a reallocation of distributions from other public schools to charter schools.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) The bill would allow a charter school to be able to use the State Common School Fund, a local public improvement bond bank, or the State Bond Bank to help obtain financing. The bill also allows certain volunteer fire departments to obtain financing through the State Bond Bank. Bond banks are a body corporate and politic separate from the state or local city. The bill would provide additional short term funding sources for charter schools and volunteer fire departments. The amount of financing charter schools and volunteer fire departments might obtain is unknown.

The bill would also require the state to distribute the state aid on a proportionate share beginning not later than 40 days after the Department of Education receives the data. A charter school could receive seven distributions between June 2002 and January 2003. Assuming about 2,000 students attend a charter school in the fall of 2002, the state would reallocate about \$4.4 M from traditional schools to charter schools.

The bill would also require the local school to send the proportionate share of property tax levy and auto excise and financial institutions tax after the school receives enrollment figures. Assuming about 2,000 students attend a charter school in the fall of 2002, the local schools would send about \$2 M in property and excise taxes to charter schools in December of 2002.

State Agencies Affected: Treasurer, Department of Education.

Local Agencies Affected: Charter Schools, State Treasurer.

Information Sources: Department of Education School Finance Databases.